

EXECUTIVE SUMMARY

The state's economic outlook has improved marginally compared to the previous forecast. In July 2003 it was reported Idaho's economic growth would accelerate over the next three years. This could be seen in two closely monitored measures: Idaho nonfarm employment and personal income. Idaho nonfarm employment was expected to increase 0.4% this year, 1.2% next year, and about 1.6% in both 2005 and 2006. In the current forecast nonfarm employment is projected to grow 0.8% in 2003, 1.3% in 2004, 1.9% in 2005, and 1.8% in 2006. Idaho nominal personal income is predicted to increase 4.2% in 2003, 5.6% in 2004, 5.0% in 2005, and 5.5% in 2006. In the previous forecast, it was expected to grow 3.5% in 2003, 5.2% in 2004, 5.2% in 2005, and 5.5% in 2006. The differences are more pronounced when income is adjusted for inflation because prices rise slower in this forecast compared to the previous one. Specifically, Idaho real personal income was forecast in July 2003 to rise 1.6% this year, 3.4% next year, 2.9% in 2005, and 3.1% in 2006. In the current forecast, Idaho real personal income increases 2.3% in 2003, 4.3% in 2004, 3.2% in 2005, and 3.7% in 2006. Idaho's economy appears on the cusp of better times. While both nonfarm employment and personal income growth will improve, they are not expected to reach the levels experienced during the height of the state's long expansion. This may seem disappointing to some, but most would welcome the state's projected economic performance during the latter forecast years to that of the previous three years.

Many economists will no doubt be tempted to boost their forecasts based on the recent stream of positive national economic news. The biggest news was payrolls expanded by 57,000 in September, ending a declining streak that began in February 2003. The recent economic news was encouraging, but economists should seriously consider whether they serve as sufficient grounds for raising previous forecasts. The September employment gain was an important milestone. However, it was just one month's data. While it could mark the beginning of a turnaround, a few more months of employment gains are what it will take to raise the comfort level, that the job-loss recovery has given way to an expanding workforce. It should also be remembered September's job gain was relatively small. This is why the unemployment rate did not budge from 6.1%. The September job gain was welcomed, but monthly gains need to be about twice as big to drive down the unemployment rate. There appears to be ample evidence the economy turned a corner this fall. However, there is less evidence that forecasts should be raised. In the current economic forecast real GDP is expected to rise 2.6% this year, 4.1% next year, 3.7% in 2005, and 3.6% in 2006. After declining slightly in 2003, U.S. nonfarm employment should increase 1.6% in 2004, 2.0% in 2005, and 1.7% in 2006. Consumer price inflation is anticipated to be 2.3% in 2003, 1.2% in 2004, and 1.8% in both 2005 and 2006.

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	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (BILLIONS)										
Current \$	8,318	8,782	9,274	9,825	10,082	10,446	10,882	11,468	12,086	12,729
% Ch	6.5%	5.6%	5.6%	5.9%	2.6%	3.6%	4.2%	5.4%	5.4%	5.3%
1996 Chain-Weighted	8,159	8,509	8,859	9,191	9,215	9,440	9,684	10,080	10,453	10,827
% Ch	4.4%	4.3%	4.1%	3.8%	0.3%	2.4%	2.6%	4.1%	3.7%	3.6%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	25,227	27,066	28,902	31,177	32,363	33,585	34,986	36,942	38,803	40,942
% Ch	4.4%	7.3%	6.8%	7.9%	3.8%	3.8%	4.2%	5.6%	5.0%	5.5%
Idaho Nonfarm (Millions)	24,557	26,149	27,872	30,382	31,400	32,572	33,908	35,663	37,563	39,668
% Ch	5.4%	6.5%	6.6%	9.0%	3.3%	3.7%	4.1%	5.2%	5.3%	5.6%
U.S. (Billions)	6,937	7,426	7,786	8,407	8,685	8,922	9,225	9,708	10,222	10,782
% Ch	6.0%	7.0%	4.9%	8.0%	3.3%	2.7%	3.4%	5.2%	5.3%	5.5%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	24,745	26,268	27,594	29,030	29,538	30,239	30,927	32,247	33,280	34,500
% Ch	2.4%	6.2%	5.0%	5.2%	1.7%	2.4%	2.3%	4.3%	3.2%	3.7%
Idaho Nonfarm (Millions)	24,088	25,379	26,611	28,291	28,659	29,326	29,974	31,132	32,217	33,426
% Ch	3.4%	5.4%	4.9%	6.3%	1.3%	2.3%	2.2%	3.9%	3.5%	3.8%
U.S. (Billions)	6,804	7,207	7,435	7,828	7,927	8,033	8,154	8,474	8,767	9,086
% Ch	3.9%	5.9%	3.2%	5.3%	1.3%	1.3%	1.5%	3.9%	3.5%	3.6%
HOUSING STARTS										
Idaho	8,864	10,113	10,344	11,530	12,245	13,205	14,613	12,985	12,366	11,773
% Ch	-3.9%	14.1%	2.3%	11.5%	6.2%	7.8%	10.7%	-11.1%	-4.8%	-4.8%
U.S. (Millions)	1,475	1,621	1,647	1,573	1,601	1,711	1,738	1,643	1,604	1,608
% Ch	0.4%	9.9%	1.6%	-4.5%	1.8%	6.9%	1.6%	-5.4%	-2.4%	0.2%
TOTAL NONFARM EMPLOYMENT										
Idaho	507,420	520,472	538,095	558,571	568,019	568,015	572,579	579,786	590,559	601,327
% Ch	3.4%	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	1.3%	1.9%	1.8%
U.S. (Thousands)	122,767	125,924	128,994	131,790	131,830	130,376	130,055	132,127	134,741	137,057
% Ch	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.2%	1.6%	2.0%	1.7%
SELECTED INTEREST RATES										
Federal Funds	5.5%	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.1%	1.9%	2.3%
Bank Prime	8.4%	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.1%	4.9%	5.3%
Existing Home Mortgage	7.7%	7.1%	7.3%	8.0%	7.0%	6.5%	6.0%	6.6%	6.9%	6.9%
INFLATION										
GDP Price Deflator	1.9%	1.2%	1.4%	2.1%	2.4%	1.1%	1.5%	1.3%	1.6%	1.7%
Personal Cons Deflator	1.9%	1.1%	1.6%	2.5%	2.0%	1.4%	1.9%	1.3%	1.8%	1.8%
Consumer Price Index	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	1.2%	1.8%	1.8%

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	2003				2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,688	10,794	10,962	11,084	11,233	11,370	11,555	11,715	11,866	12,013	12,157	12,308
% Ch	3.8%	4.0%	6.4%	4.5%	5.5%	5.0%	6.7%	5.7%	5.3%	5.1%	4.9%	5.1%
1996 Chain-Weighted	9,552	9,626	9,734	9,826	9,928	10,015	10,137	10,238	10,325	10,410	10,493	10,585
% Ch	1.4%	3.1%	4.6%	3.8%	4.2%	3.5%	5.0%	4.1%	3.4%	3.3%	3.2%	3.6%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	34,638	34,829	35,045	35,431	36,047	36,663	37,319	37,739	38,095	38,600	39,101	39,415
% Ch	6.1%	2.2%	2.5%	4.5%	7.1%	7.0%	7.4%	4.6%	3.8%	5.4%	5.3%	3.3%
Idaho Nonfarm (Millions)	33,467	33,609	34,093	34,464	34,977	35,413	35,887	36,376	36,855	37,328	37,810	38,261
% Ch	4.6%	1.7%	5.9%	4.4%	6.1%	5.1%	5.5%	5.6%	5.4%	5.2%	5.3%	4.9%
U.S. (Billions)	9,095	9,172	9,263	9,369	9,514	9,638	9,774	9,905	10,032	10,159	10,287	10,411
% Ch	3.7%	3.5%	4.0%	4.6%	6.3%	5.3%	5.7%	5.5%	5.2%	5.2%	5.2%	4.9%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	30,757	30,874	30,889	31,186	31,663	32,095	32,511	32,721	32,889	33,177	33,461	33,594
% Ch	3.3%	1.5%	0.2%	3.9%	6.3%	5.6%	5.3%	2.6%	2.1%	3.6%	3.5%	1.6%
Idaho Nonfarm (Millions)	29,718	29,793	30,050	30,335	30,723	31,001	31,263	31,539	31,818	32,084	32,356	32,610
% Ch	1.9%	1.0%	3.5%	3.8%	5.2%	3.7%	3.4%	3.6%	3.6%	3.4%	3.4%	3.2%
U.S. (Billions)	8,076	8,131	8,165	8,246	8,357	8,437	8,514	8,588	8,661	8,732	8,803	8,874
% Ch	1.0%	2.8%	1.7%	4.1%	5.5%	3.9%	3.7%	3.5%	3.4%	3.3%	3.3%	3.2%
HOUSING STARTS												
Idaho	15,765	15,028	14,154	13,504	13,158	13,028	12,918	12,837	12,643	12,455	12,270	12,096
% Ch	-12.2%	-17.4%	-21.3%	-17.1%	-9.9%	-3.9%	-3.3%	-2.5%	-5.9%	-5.8%	-5.8%	-5.6%
U.S. (Millions)	1,737	1,739	1,784	1,692	1,656	1,650	1,637	1,630	1,618	1,604	1,598	1,597
% Ch	-1.4%	0.5%	10.7%	-19.0%	-8.3%	-1.5%	-3.1%	-1.7%	-2.8%	-3.5%	-1.7%	-0.1%
TOTAL NONFARM EMPLOYMENT												
Idaho	572,507	571,683	572,486	573,640	575,915	578,419	581,047	583,764	586,628	589,409	592,057	594,141
% Ch	0.1%	-0.6%	0.6%	0.8%	1.6%	1.8%	1.8%	1.9%	2.0%	1.9%	1.8%	1.4%
U.S. (Thousands)	130,225	129,987	129,906	130,102	130,952	131,753	132,588	133,213	133,804	134,461	135,060	135,641
% Ch	-0.3%	-0.7%	-0.3%	0.6%	2.6%	2.5%	2.6%	1.9%	1.8%	2.0%	1.8%	1.7%
SELECTED INTEREST RATES												
Federal Funds	1.3%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.3%	1.4%	1.8%	2.0%	2.3%
Bank Prime	4.3%	4.2%	4.0%	4.0%	4.0%	4.0%	4.0%	4.3%	4.4%	4.8%	5.0%	5.3%
Existing Home Mortgage	5.9%	5.6%	6.0%	6.4%	6.5%	6.5%	6.6%	6.6%	6.7%	6.8%	6.9%	7.0%
INFLATION												
GDP Price Deflator	2.4%	0.8%	1.7%	0.7%	1.2%	1.4%	1.6%	1.5%	1.8%	1.7%	1.6%	1.4%
Personal Cons Deflator	2.7%	0.7%	2.3%	0.6%	0.8%	1.4%	2.0%	1.9%	1.7%	1.8%	1.8%	1.6%
Consumer Price Index	3.9%	0.6%	2.8%	0.5%	0.6%	1.2%	2.0%	1.9%	1.7%	1.8%	1.8%	1.6%